

**WEST MARSHALL  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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**WEST MARSHALL COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September, 2006 Election)**

Mark Nolta	President	2006
William Tomlinson		2007
Lisa Breja		2008
Julie Randall		2007
Tim German		2008
Stephen Smith		2006
Brian Maddick		2006

**(After September, 2006 Election)**

William Tomlinson	President	2007
Mark Nolta		2009
Lisa Breja		2008
Julie Randall		2007
Tim German		2008
Stephen Smith		2009
Brian Maddick		2009

**School Officials**

Ned Sellers	Superintendent
Christine Davis (Resigned May, 2007)	District Secretary/ Treasurer
Stephanie Edler (Appointed June, 2007)	District Secretary/ Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
West Marshall Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Marshall Community School District, State Center, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

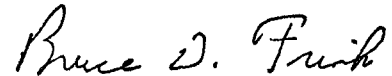
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Marshall Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2008 on our consideration of West Marshall Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Marshall Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 26, 2008

# **WEST MARSHALL COMMUNITY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

West Marshall Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,369,258 in fiscal year 2006 to \$6,827,833 in fiscal year 2007, while General Fund expenditures increased from \$5,955,649 in fiscal year 2006 to \$6,392,045 in fiscal year 2007.
- The increase in General Fund revenues was attributable to increases in all areas of income. The increase in expenditures was due primarily to regular payroll increases and the purchase of two buses.
- Allowable growth of 4% is inadequate to finance existing programs without dipping into reserves.
- The School Infrastructure Local Option Sales Tax passed in Marshall County in March, 2004. The District began receiving these funds in September, 2004. These monies are being used for property tax relief to pay for the District's debt service. Remaining funds will be used for improvements to district facilities.
- The District no longer has a property tax levy for debt service. Local option sales tax monies are being used instead.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Marshall Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Marshall Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Marshall Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***West Marshall Community School District Annual Financial Report***

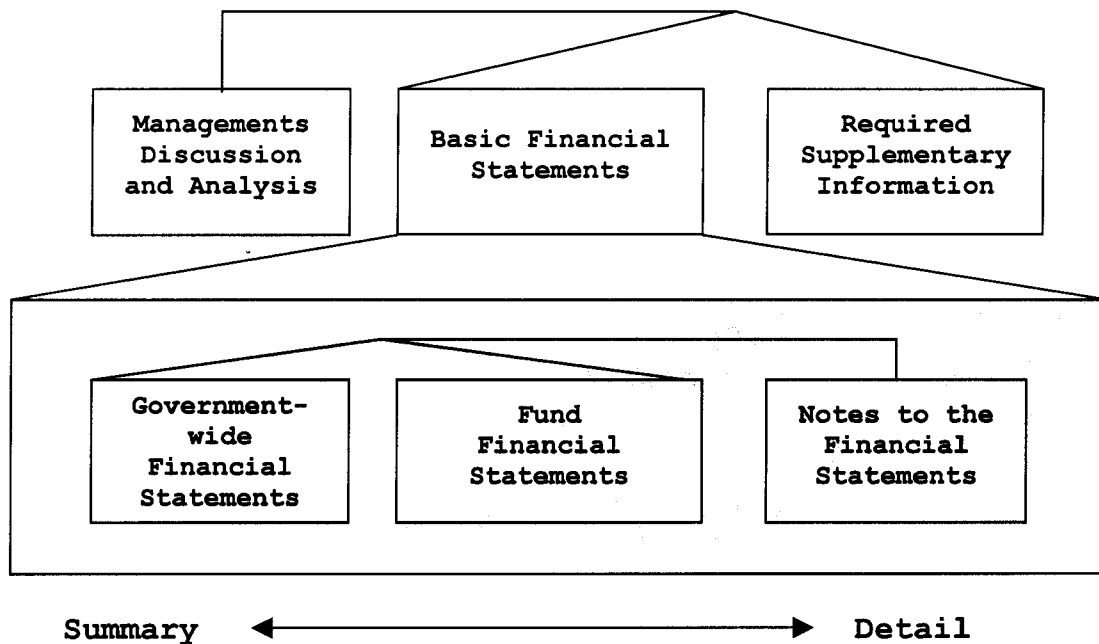


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	<b>Government-wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	<ul style="list-style-type: none"> <li>. Statement of Net Assets</li> <li>. Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of Net Assets</li> <li>. Statement of Revenues, Expenses and Changes in Net Assets</li> <li>. Statement of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. The District recently started an Internal Service Fund to account for the District's self-insurance fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Current assets	5,411	4,821	137	108	5,548	4,929	12.56%
Capital assets	<u>3,864</u>	<u>3,771</u>	<u>42</u>	<u>50</u>	<u>3,906</u>	<u>3,821</u>	<u>2.22%</u>
Total assets	<u>9,275</u>	<u>8,592</u>	<u>179</u>	<u>158</u>	<u>9,454</u>	<u>8,750</u>	<u>8.05%</u>
Current liabilities	2,159	2,059	-	-	2,159	2,059	4.86%
Non-current liabilities	<u>1,655</u>	<u>1,880</u>	<u>-</u>	<u>-</u>	<u>1,655</u>	<u>1,880</u>	<u>-11.97%</u>
Total liabilities	<u>3,814</u>	<u>3,939</u>	<u>-</u>	<u>-</u>	<u>3,814</u>	<u>3,939</u>	<u>-3.17%</u>
Net Assets							
Invested in capital assets, net of related debt	2,209	1,891	42	50	2,251	1,941	15.97%
Restricted	813	772	-	-	813	772	5.31%
Unrestricted	<u>2,439</u>	<u>1,990</u>	<u>137</u>	<u>108</u>	<u>2,576</u>	<u>2,098</u>	<u>22.78%</u>
Total net assets	<u>5,461</u>	<u>4,653</u>	<u>179</u>	<u>158</u>	<u>5,640</u>	<u>4,811</u>	<u>17.23%</u>

Total net assets increased by over \$800,000. The largest increases was in the General Fund. The District had increased revenues in all areas of the General Fund while holding down discretionary spending.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

**Figure A-4**  
**Change in Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Revenues:							
Program revenues:							
Charges for service and sales	339	332	190	207	529	539	-1.86%
Operating grants, contributions and restricted interest	978	881	151	138	1,129	1,019	10.79%
General revenues:							
Property tax	2,082	1,963	-	-	2,082	1,963	6.06%
Income surtax	268	288	-	-	268	288	-6.94%
Local option sales tax	498	475	-	-	498	475	4.84%
Unrestricted state grants	3,344	3,172	-	-	3,344	3,172	5.42%
Unrestricted investment earnings	67	51	-	-	67	51	31.37%
Other	134	115	-	-	134	115	16.52%
Total revenues	<u>7,710</u>	<u>7,277</u>	<u>341</u>	<u>345</u>	<u>8,051</u>	<u>7,622</u>	<u>5.63%</u>
Program expenses:							
Governmental activities:							
Instruction	4,140	3,813	-	-	4,140	3,813	8.58%
Support Services	2,156	1,988	-	-	2,156	1,988	8.45%
Non-instructional programs	-	-	344	341	344	341	0.88%
Other expenses	606	483	-	-	606	483	25.47%
Total expenses	<u>6,902</u>	<u>6,284</u>	<u>344</u>	<u>341</u>	<u>7,246</u>	<u>6,625</u>	<u>9.37%</u>
Change in net assets	<u>808</u>	<u>993</u>	<u>(3)</u>	<u>4</u>	<u>805</u>	<u>997</u>	<u>-19.26%</u>

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$7,710,226 and expenses were \$6,902,170.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services programs and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services		Net Change 2006-07	Net Cost of Services		Net Change 2006-07
	2007	2006		2007	2006	
	\$	\$	%	\$	\$	%
Instruction	4,140	3,813	8.58%	3,134	2,870	9.20%
Support Services	2,156	1,988	8.45%	2,146	1,988	7.95%
Other expenses	<u>606</u>	<u>483</u>	<u>25.47%</u>	<u>305</u>	<u>214</u>	<u>42.52%</u>
Totals	<u>6,902</u>	<u>6,284</u>	<u>9.83%</u>	<u>5,585</u>	<u>5,072</u>	<u>10.11%</u>

- The cost financed by users of the District's programs was \$339,047.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$526,540.
- The net cost of governmental activities was financed with \$2,081,944 in property tax, \$3,344,212 in state foundation aid, and \$66,836 in interest income.

## Business Type Activities

Revenues of the District's business type activities were \$340,193 and expenses were \$343,559. The District's business type activities include the School Nutrition and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2007, the District held meal prices steady.

The District began a Preschool program during the year ended June 30, 2005.

The District began an Internal Service Fund to account for the self-insurance fund.

## INDIVIDUAL FUND ANALYSIS

As previously noted West Marshall Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,460,572, an 18% increase over last year's ending fund balances of \$4,652,516. The primary reason was the collection of local option sales taxes and increase in the General Fund.

## Governmental Fund Highlights

- The District's General Fund increased by over 25%.
- The District collected over \$498,000 in sales tax money. This is being used for property tax relief and infrastructure projects.
- With the available PPEL dollars the District was able to do a number of repair and remodeling projects to maintain the District's facilities.

## Proprietary Fund Highlights

Despite controls over discretionary spending, increases in food costs allowed for a decrease in the Nutrition Fund cash balance.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

### Legal Budgetary Highlights

The District's receipts were \$398,605 greater than budgeted receipts, a variance of 6%. The most significant variance resulted from the District receiving more in miscellaneous revenues than originally anticipated

Budgeted expenses were less than actual, due to careful monitoring of discretionary spending.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$3.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$229,380.

The original cost of the District's capital assets was \$8,186,687. Governmental funds account for \$8,075,399, with the remainder of \$111,288 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Land	125	125	-	-	125	125	0.00%
Site improvements	415	351	-	-	415	351	18.23%
Buildings	3,006	3,032	-	-	3,006	3,032	-0.86%
Furniture and equipment	318	263	42	50	360	313	15.02%
Totals	<u>3,864</u>	<u>3,771</u>	<u>42</u>	<u>50</u>	<u>3,906</u>	<u>3,821</u>	<u>2.22%</u>

## Long-Term Debt

At June 30, 2007, the District had \$1,655,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 12% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

Total		Total
District		Change
June 30,		June 30,
2007	2006	2006-07
\$	\$	
General obligation bonds	<u>1,655</u>	<u>1,880</u> <u>-11.97%</u>

## FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax was passed and money began to be received by the District in July of 2004. This tax will allow for property tax relief as well as infrastructure projects.
- Current allowable growth is inadequate to maintain current educational programs.
- Health insurance continues to be a very costly item to the District. Even though employees in regard to deductibles, and coinsurance have made concessions, other solutions may need to be found.
- The District is looking at the possibility of constructing a new middle school building.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ned Sellers, Superintendent, West Marshall Community School District, 3<sup>rd</sup> St NW, PO Box 670, State Center, IA 50247.

## **Basic Financial Statements**

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash	3,006,753	132,019	3,138,772
Receivables:			
Property tax:			
Current year	34,867	-	34,867
Succeeding year	2,038,364	-	2,038,364
Income surtax - succeeding year	162,914	-	162,914
Due from other governments	125,444	-	125,444
Other receivables	41,837	-	41,837
Inventories	-	4,764	4,764
Capital assets, net of accumulated depreciation	3,864,341	42,159	3,906,500
<b>Total assets</b>	<b>9,274,520</b>	<b>178,942</b>	<b>9,453,462</b>
<b>Liabilities</b>			
Accounts payable	116,072	-	116,072
Accrued salary and benefits	-	17,732	17,732
Unearned revenue	-	6,444	6,444
Accrued interest payable	4,512	-	4,512
Deferred revenue:			
Succeeding year property tax	2,038,364	-	2,038,364
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	230,000	-	230,000
Portion due after one year:			
General obligation bonds payable	1,425,000	-	1,425,000
<b>Total liabilities</b>	<b>3,813,948</b>	<b>24,176</b>	<b>3,838,124</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,209,341	42,159	2,251,500
Restricted for:			
Management levy	141,381	-	141,381
Student activities	103,317	-	103,317
Physical plant and equipment levy	38,820	-	38,820
Capital projects	513,326	-	513,326
Debt service	15,833	-	15,833
Unrestricted	2,438,554	112,607	2,551,161
<b>Total net assets</b>	<b>5,460,572</b>	<b>154,766</b>	<b>5,615,338</b>

See notes to financial statements.



WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest			
	Charges for Service		Governmental Activities	Business Type Activities
Expenses				Total
\$	\$	\$	\$	\$
4,139,720	339,047	666,684	(3,133,989)	(3,133,989)
298,672	-	-	(298,672)	-
111,777	-	-	(111,777)	-
666,566	-	-	(666,566)	-
615,841	-	10,022	(605,819)	-
463,423	-	-	(463,423)	-
2,156,279	-	10,022	(2,146,257)	(2,146,257)
277,407	-	277,407	-	-
60,216	-	161	(60,055)	(60,055)
136,177	-	23,587	(112,590)	(112,590)
132,371	-	-	(132,371)	-
606,171	-	301,155	(305,016)	(305,016)
6,902,170	339,047	977,861	(5,585,262)	(5,585,262)
Total governmental activities				

Functions/Programs

Governmental activities:

Instruction:

Support services:

Student services

Instructional staff services

Administration services

Operation and maintenance of plant services

Transportation services

Other expenditures:

AEA flowthrough

Long-term debt interest

Facilities acquisition and construction

Depreciation (unallocated)\*

**WEST MARSHALL COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
	\$	\$	\$	\$
Business Type activities:				
Non-instructional programs:				
Nutrition services and preschool services	343,559	189,592	150,601	
Total	<u>7,245,729</u>	<u>528,639</u>	<u>1,128,462</u>	
General revenues:				
Property tax levied for:				
General purposes				1,869,538
Capital outlay				61,844
Management				150,562
Income surtax				267,571
Local option sales tax				498,159
Unrestricted state grants				3,344,212
Unrestricted investment earnings				66,836
Other				134,596
Total general revenue			<u>6,393,318</u>	<u>6,393,318</u>
Change in net assets			808,056	(3,366)
Net assets beginning of year			<u>4,652,516</u>	<u>158,132</u>
Net assets end of year			<u>5,460,572</u>	<u>154,766</u>
				<u>5,615,338</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash	2,188,172	503,262	20,345	279,961	2,991,740
Receivables:					
Property tax:					
Current year	31,310	-	-	3,557	34,867
Succeeding year	1,826,181	-	-	212,183	2,038,364
Income surtax - succeeding year	162,914	-	-	-	162,914
Due from other governments	55,614	69,830	-	-	125,444
Other receivables	41,837	-	-	-	41,837
<b>Total assets</b>	<u>4,306,028</u>	<u>573,092</u>	<u>20,345</u>	<u>495,701</u>	<u>5,395,166</u>
<b>Liabilities and Fund Balance</b>					
Liabilities:					
Accounts payable	56,306	59,766	-	-	116,072
Deferred revenue:					
Succeeding year property tax	1,826,181	-	-	212,183	2,038,364
Succeeding year income surtax	162,914	-	-	-	162,914
Total liabilities	<u>2,045,401</u>	<u>59,766</u>	<u>-</u>	<u>212,183</u>	<u>2,317,350</u>
Fund balances:					
Reserved for debt service	-	-	20,345	-	20,345
Reserved for capital projects	-	513,326	-	-	513,326
Unreserved	2,260,627	-	-	283,518	2,544,145
Total fund balances	<u>2,260,627</u>	<u>513,326</u>	<u>20,345</u>	<u>283,518</u>	<u>3,077,816</u>
<b>Total liabilities and fund balances</b>	<u>4,306,028</u>	<u>573,092</u>	<u>20,345</u>	<u>495,701</u>	<u>5,395,166</u>

See notes to financial statements.

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2007

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 3,077,816
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	162,914
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	3,864,341
Internal Service fund assets that are to be included with governmental funds.	15,013
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(4,512)
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(1,655,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 5,460,572</u></u>

See notes to financial statements.

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2007

	General	Capital Projects	Debt Service	Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,139,195	498,159	-	212,406	2,849,760
Tuition	339,047	-	-	-	339,047
Other	201,432	23,587	161	150,166	375,346
State sources	4,017,081	-	-	-	4,017,081
Federal sources	131,078	-	-	-	131,078
Total revenues	<u>6,827,833</u>	<u>521,746</u>	<u>161</u>	<u>362,572</u>	<u>7,712,312</u>
Expenditures:					
Current:					
Instruction:	<u>3,966,082</u>	<u>-</u>	<u>-</u>	<u>188,651</u>	<u>4,154,733</u>
Support services:					
Student services	298,672	-	-	-	298,672
Instructional staff services	111,777	-	-	-	111,777
Administration services	666,566	-	-	-	666,566
Operation and maintenance of plant services	552,516	-	-	63,325	615,841
Transportation services	<u>519,025</u>	<u>-</u>	<u>-</u>	<u>1,010</u>	<u>520,035</u>
	<u>2,148,556</u>	<u>-</u>	<u>-</u>	<u>64,335</u>	<u>2,212,891</u>
Other expenditures:					
AEA flowthrough	277,407	-	-	-	277,407
Long-term debt:					
Principal	-	-	225,000	-	225,000
Interest and service charges	-	-	60,732	-	60,732
Facilities acquisition and construction	<u>-</u>	<u>246,961</u>	<u>-</u>	<u>58,260</u>	<u>305,221</u>
	<u>277,407</u>	<u>246,961</u>	<u>285,732</u>	<u>58,260</u>	<u>868,360</u>
Total expenditures	<u>6,392,045</u>	<u>246,961</u>	<u>285,732</u>	<u>311,246</u>	<u>7,235,984</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2007

	General	Capital Projects	Debt Service	Special Revenue	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	<u>435,788</u>	<u>274,785</u>	<u>(285,571)</u>	<u>51,326</u>	<u>476,328</u>
Other financing uses (sources):					
Operating transfers in	-	-	285,732	-	285,732
Operating transfers out	<u>-</u>	<u>(285,732)</u>	<u>-</u>	<u>-</u>	<u>(285,732)</u>
Total other financing sources (uses)	<u>-</u>	<u>(285,732)</u>	<u>285,732</u>	<u>-</u>	<u>-</u>
Net change in fund balances	435,788	(10,947)	161	51,326	476,328
Fund balances beginning of year	<u>1,824,839</u>	<u>524,273</u>	<u>20,184</u>	<u>232,192</u>	<u>2,601,488</u>
Fund balances end of year	<u><u>2,260,627</u></u>	<u><u>513,326</u></u>	<u><u>20,345</u></u>	<u><u>283,518</u></u>	<u><u>3,077,816</u></u>

See notes to financial statements.

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2007

<b>Net change in fund balances - total governmental funds (Exhibit E)</b>	\$ 476,328
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities	(2,086)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:	
Capital outlays	313,111
Depreciation expense	(219,826)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
General obligation bonds	225,000
Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures.	15,013
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>516</u>
<b>Change in net assets of governmental activities (Exhibit B)</b>	<u><u>\$ 808,056</u></u>

See notes to financial statements.

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets  
Proprietary Funds

June 30, 2007

	Business Type			Governmental Activities
	School Nutrition	Preschool	Total	Internal Service
	\$	\$		
<b>Assets</b>				
Cash	132,019	-	132,019	15,013
Inventories	4,764	-	4,764	-
Capital assets, net of accumulated depreciation	42,159	-	42,159	-
<b>Total assets</b>	<u>178,942</u>	<u>-</u>	<u>178,942</u>	<u>15,013</u>
<b>Liabilities</b>				
Unearned revenue	6,444	-	6,444	-
Accrued salary and benefits	17,732	-	17,732	-
<b>Total liabilities</b>	<u>24,176</u>	<u>-</u>	<u>24,176</u>	<u>-</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	42,159	-	42,159	-
Restricted for employee benefits	-	-	-	15,013
Unrestricted	112,607	-	112,607	-
<b>Total net assets</b>	<u>154,766</u>	<u>-</u>	<u>154,766</u>	<u>15,013</u>

See notes to financial statements.



## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2007

	Business Type			Governmental Activities
	School Nutrition	Preschool	Total	Internal Service
	\$	\$	\$	\$
Operating revenue:				
Local sources:				
Charges for services	189,592	-	189,592	15,000
Operating expenses:				
Non-instructional programs:				
Food service operations:				
Salaries	125,302	-	125,302	-
Benefits	13,937	-	13,937	-
Services	2,889	-	2,889	-
Supplies	184,688	-	184,688	-
Depreciation	9,554	-	9,554	-
	336,370	-	336,370	-
Other enterprise operations:				
Salaries and benefits	-	7,189	7,189	-
	-	7,189	7,189	-
Total operating expenses	336,370	7,189	343,559	-
Operating income (loss)	(146,778)	(7,189)	(153,967)	15,000
Non-operating revenues:				
Interest on investments	2,939	-	2,939	13
State sources	5,283	-	5,283	-
Federal sources	142,379	-	142,379	-
	150,601	-	150,601	13
Change in net assets	3,823	(7,189)	(3,366)	15,013
Net assets beginning of year	150,943	7,189	158,132	-
Net assets end of year	154,766	-	154,766	15,013

See notes to financial statements.

**WEST MARSHALL COMMUNITY SCHOOL DISTRICT**

Combining Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2007

	Business Type			Governmental Activities
	School Nutrition	Preschool	Total	
	\$	\$	\$	
Cash flows from operating activities:				
Cash received from sale of services	196,036	-	196,036	15,000
Cash payments to employees for services	(121,507)	(7,189)	(128,696)	-
Cash payments to suppliers for goods or services	(171,398)	-	(171,398)	-
Net cash provided by (used in) operating activities	(96,869)	(7,189)	(104,058)	15,000
Cash flows from non-capital financing activities:				
State grants received	5,283	-	5,283	-
Federal grants received	123,250	-	123,250	-
Net cash provided by non-capital financing activities	128,533	-	128,533	-
Cash flows from capital financing activities:				
Acquisition of fixed assets	(1,678)	-	(1,678)	-
Cash flows from investing activities:				
Interest on investments	2,939	-	2,939	13
Net increase in cash and cash equivalents	32,925	(7,189)	25,736	15,013
Cash and cash equivalents beginning of year	99,094	7,189	106,283	-
Cash and cash equivalents end of year	132,019	-	132,019	15,013

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2007

	Business Type			Governmental Activities
	School Nutrition	Preschool	Total	
	\$	\$	\$	
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>				
Operating income (loss)	(146,778)	(7,189)	(153,967)	15,000
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:				
Depreciation	9,554	-	9,554	-
Commodities used	19,129	-	19,129	-
(Increase) in inventory	(2,950)	-	(2,950)	-
Increase in accrued salary and benefits	17,732	-	17,732	-
Increase in unearned revenue	6,444	-	6,444	-
	<u>(96,869)</u>	<u>(7,189)</u>	<u>(104,058)</u>	<u>15,000</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash	<u>132,019</u>	<u>-</u>	<u>132,019</u>	<u>15,013</u>
<b>Non-cash investing, capital and financing activities:</b>				

During the year ended June 30, 2007, the District received federal commodities valued at \$19,129.

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2007

#### (1) Summary of Significant Accounting Policies

West Marshall Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of State Center, Melbourne, Rhodes and Clemons, Iowa, and agricultural area in Story and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, West Marshall Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. West Marshall Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marshall County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Preschool Funds and the Internal Service Fund. These funds are used to account for the food service and preschool education operations of the District. The Internal Service Fund is being used to account for the District's flexible spending accounts.

#### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum-adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first in, first-out method for purchased items government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	125,000	-	-	125,000
Capital assets being depreciated:				
Site Improvements	533,185	92,016	-	625,201
Buildings	6,082,624	77,028	-	6,159,652
Furniture and Equipment	1,021,479	144,067	-	1,165,546
Total capital assets being depreciated	7,637,288	313,111	-	7,950,399
Less accumulated depreciation for:				
Site Improvements	182,472	27,644	-	210,116
Buildings	3,050,933	102,414	-	3,153,347
Furniture and Equipment	757,827	89,768	-	847,595
Total accumulated depreciation	3,991,232	219,826	-	4,211,058
Total capital assets being depreciated, net	3,646,056	93,285	-	3,739,341
Governmental activities, capital assets, net	3,771,056	93,285	-	3,864,341



	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	109,610	1,678	-	111,288
Less accumulated depreciation	59,575	9,554	-	69,129
Business type activities capital assets, net	<u>50,035</u>	<u>(7,876)</u>	<u>-</u>	<u>42,159</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

87,455

Unallocated

132,371

219,826

Business Type activities:

Food service operations

9,554

#### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$228,846, \$214,173, and \$207,921 respectively, equal to the required contributions for each year.

#### (5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$277,407 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### (6) Risk Management

West Marshall Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District has self-insurance of the deductible for health insurance under an 80/20 plan. The District is liable for each employee's deductible up to \$500 per single and \$1000 for dependent coverage. The District's maximum liability as computed by their insurance carrier is \$49,500 annually (based on current employment levels).

**(7) Bonds Payable**

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u> %	<u>Principal</u> \$	<u>Interest</u> \$	<u>Total</u> \$
2008	3.00	230,000	54,145	284,145
2009	3.00	245,000	47,245	292,245
2010	3.20	250,000	39,895	289,895
2011	3.30	260,000	31,895	291,895
2012	3.40	270,000	23,315	293,315
2013	3.50	265,000	14,135	279,135
2014	3.60	<u>135,000</u>	<u>4,860</u>	<u>139,860</u>
Total		<u>1,655,000</u>	<u>215,490</u>	<u>1,870,490</u>

**(8) Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	<u>General Obligation Bonds</u>
Balance beginning of year	\$1,880,000
Additions	-
Reductions	<u>225,000</u>
Balance end of year	<u>\$1,655,000</u>

**(9) Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is the cost of single insurance up to \$350 per month. Early retirement benefits paid during the year ended June 30, 2007 totaled \$72,238.

**(10) Special Investigation**

A special investigation of the District Secretary was conducted for the period July 1, 2001 through June 30, 2007. A total of \$77,538 of improper disbursements were noted. The matter has been referred to the Marshall County Attorney. As of the date of this report, this matter is still under investigation.

## **Required Supplementary Information**

**WEST MARSHALL COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund  
Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts	Final to Actual Variance -
	Actual	Actual	Actual	Original	
	\$	\$	\$	\$	\$
<b>Revenues:</b>					
Local sources	3,564,153	192,531	3,756,684	3,497,900	258,784
State sources	4,017,081	5,283	4,022,364	3,985,000	37,364
Federal sources	131,078	142,379	273,457	171,000	102,457
Total revenues	<u>7,712,312</u>	<u>340,193</u>	<u>8,052,505</u>	<u>7,653,900</u>	<u>398,605</u>
<b>Expenditures:</b>					
Instruction	4,154,733	-	4,154,733	4,148,173	(6,560)
Support services	2,212,891	-	2,212,891	2,384,698	171,807
Non-instructional programs	-	343,559	343,559	368,042	24,483
Other expenditures	868,360	-	868,360	692,822	(175,538)
Total expenditures	<u>7,235,984</u>	<u>343,559</u>	<u>7,579,543</u>	<u>7,593,735</u>	<u>14,192</u>
Excess (deficiency) of revenues over (under) expenditures	476,328	(3,366)	472,962	60,165	412,797
Other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	476,328	(3,366)	472,962	60,165	412,797
Balance beginning of year	<u>2,601,488</u>	<u>158,132</u>	<u>2,759,620</u>	<u>2,039,683</u>	<u>719,937</u>
Balance end of year	<u>3,077,816</u>	<u>154,766</u>	<u>3,232,582</u>	<u>2,099,848</u>	<u>1,132,734</u>

See accompanying independent auditor's report.

## **WEST MARSHALL COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2007

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	138,818	103,317	37,826	279,961
Property tax receivable:				
Current year	2,563	-	994	3,557
Succeeding year	<u>150,000</u>	<u>-</u>	<u>62,183</u>	<u>212,183</u>
<b>Total assets</b>	<u>291,381</u>	<u>103,317</u>	<u>101,003</u>	<u>495,701</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>150,000</u>	<u>-</u>	<u>62,183</u>	<u>212,183</u>
	<u>150,000</u>	<u>-</u>	<u>62,183</u>	<u>212,183</u>
Fund balance:				
Unreserved fund balance	<u>141,381</u>	<u>103,317</u>	<u>38,820</u>	<u>283,518</u>
	<u>141,381</u>	<u>103,317</u>	<u>38,820</u>	<u>283,518</u>
<b>Total liabilities and fund balances</b>	<u>291,381</u>	<u>103,317</u>	<u>101,003</u>	<u>495,701</u>

See accompanying independent auditor's report.

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2007

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	150,562	-	61,844	212,406
Other	9,797	140,144	225	150,166
Total revenues	<u>160,359</u>	<u>140,144</u>	<u>62,069</u>	<u>362,572</u>
Expenditures:				
Instruction	78,540	110,111	-	188,651
Support services:				
Student support services	-	-	-	-
Instructional support services	-	-	-	-
Administration services	-	-	-	-
Plant operation and maintenance	63,325	-	-	63,325
Student transportation	1,010	-	-	1,010
Other expenditures:				
Facility acquisition and construction services	-	-	58,260	58,260
Total expenditures	<u>142,875</u>	<u>110,111</u>	<u>58,260</u>	<u>311,246</u>
Excess (deficiency) of revenues over (under) expenditures	17,484	30,033	3,809	51,326
Fund balances beginning of year	<u>123,897</u>	<u>73,284</u>	<u>35,011</u>	<u>232,192</u>
Balance end of year	<u><u>141,381</u></u>	<u><u>103,317</u></u>	<u><u>38,820</u></u>	<u><u>283,518</u></u>

See accompanying independent auditor's report.



## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
6th Grade Store	198	2,867	3,020	45
Drama	2,137	2,473	1,618	2,992
Speech	276	148	346	78
Trojan Players	174	-	43	131
Elementary Renaissance	2,324	1,194	1,725	1,793
Spanish Club	244	-	-	244
Athletic Memberships	216	100	177	139
Golf	18	3,200	470	2,748
Basketball	956	8,309	6,626	2,639
Volleyball	790	6,855	5,118	2,527
Football	4,479	15,220	11,929	7,770
Baseball	697	6,234	4,969	1,962
Track	4,109	5,726	4,694	5,141
Wrestling	1,930	8,339	7,637	2,632
Softball	2,190	5,370	6,451	1,109
High School Activities	1,173	1,789	2,595	367
FFA	35,737	35,328	19,631	51,434
National Honor Society	60	868	739	189
Class of 2007	580	25	605	-
Class of 2008	-	6,179	5,695	484
HS Cheerleaders	805	6,038	3,327	3,516
Class of 2009	-	200	200	-
Class of 2010	705	70	705	70
MS Student Council	1,906	7,692	6,733	2,865
HS Student Council	472	1,768	1,716	524
Interest	843	1,686	1,429	1,100
Annual	5,700	8,185	6,189	7,696
FBLA	981	-	-	981
Ag Day	325	-	-	325
MS Renaissance	3,011	4,281	5,694	1,598
HS Renaissance	248	-	30	218
Total	73,284	140,144	110,111	103,317

See accompanying independent auditor's report.

## WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,849,760	2,707,089	2,622,810	2,445,741
Tuition	339,047	332,004	230,457	183,515
Other	375,346	319,217	397,914	274,350
State sources	4,017,081	3,755,551	3,502,195	3,351,565
Federal sources	131,078	143,735	78,220	108,264
Total	<u>7,712,312</u>	<u>7,257,596</u>	<u>6,831,596</u>	<u>6,363,435</u>
Expenditures:				
Instruction	4,154,733	3,813,183	3,816,595	3,620,129
Support services:				
Student	298,672	279,759	166,862	248,375
Instructional staff	111,777	110,117	179,497	132,999
Administration	666,566	580,055	550,338	566,388
Operation and maintenance of plant	615,841	703,672	853,764	674,474
Transportation	520,035	414,913	443,775	402,116
Non-instructional programs:				
Community service and education operations	-	-	-	1,827
Other expenditures:				
Facilities acquisition	305,221	36,957	69,659	73,648
Debt Service				
Principal	225,000	220,000	215,000	160,000
Interest and service charges	60,732	65,833	71,324	132,680
AEA flowthrough	277,407	254,985	242,842	244,573
Total	<u>7,235,984</u>	<u>6,479,474</u>	<u>6,609,656</u>	<u>6,257,209</u>

See accompanying independent auditor's report.

**BRUCE D. FRINK**  
Certified Public Accountant

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
West Marshall Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Marshall Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Marshall Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of West Marshall Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Marshall Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Marshall Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of West Marshall Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Marshall Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by West Marshall Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-I-A to be a material weakness.

#### Compliance and Other Matters

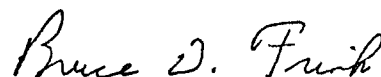
As part of obtaining reasonable assurance about whether West Marshall Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Marshall Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit West Marshall Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Marshall Community School District and other parties to whom West Marshall Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Marshall Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 26, 2007

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

07-I-A      Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

07-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-II-B      Certified Budget - During the year ending June 30, 2007, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

07-II-C      Questionable Disbursements - Expenditures of \$77,538 that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted. A special investigation was conducted and findings were turned over to the Marshall County Attorney.

Recommendation - As stated above in 07-I-A, we encourage the District to spread duties among employees to obtain maximum internal controls.

Response - We have changed our procedures to obtain better control.

Conclusion - Response accepted.

**WEST MARSHALL COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2007

**Part II: Other Findings Related to Required Statutory Reporting:**

**(continued):**

- 07-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 07-II-E      Business Transactions - No business transactions between the District and District officials or employees.
- 07-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 07-II-G      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 07-II-H      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 07-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 07-II-J      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.